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# **Circular Letter**

Special:

**TO: Contracting Agency Health Benefits Officers and Assistant Health Benefits Officers**

**SUBJECT: Contracting Agency Minimum Employer Contribution for 2012**

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**2012 Minimum Employer Contribution**      **Effective January 1, 2012**, the 2012 Minimum Employer Contribution will be \$112.00 per month.

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**Background**      The Minimum Employer Contribution was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. Starting in calendar year 2009, it was a calculated adjustment based upon the medical care component of the Consumer Price Index-Urban (CPI-U).

California Government Code 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA)<sup>1</sup> establishes the contracting agencies' minimum health premium contribution for their participating active membership. In addition, this section provides that "commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any change in the medical care component of the Consumer Price Index and shall be rounded to the nearest dollar." The table below displays annual increases of the Minimum Employer Contribution for active members.

<b>Calendar Year</b>	<b>Employer Contribution</b>
2006	\$64.60
2007	\$80.80
2008	\$97.00
2009	CPI-Med Component = \$101.00
2010	CPI-Med Component = \$105.00
2011	CPI-Med Component = \$108.00
2012	CPI-Med Component = \$112.00

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<sup>1</sup> California Government Code § 20000, et seq.

**Inflation Rate  
Changes**

In January 2011, the U.S. Bureau of Labor Statistics determined that the annual percentage change in the medical care component of the CPI-U for 2010 was 3.4 percent. The table below provides an inflation comparison of medical care rates since 2006.

Medical Care Inflation		
Year	Index	Percent
2006	336.200	4.0
2007	351.054	4.4
2008	364.065	3.7
2009	375.613	3.2
<b>2010</b>	<b>388.436</b>	<b>3.4</b>

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**Calculation of  
2012 Minimum  
Employer  
Contribution**

Using the 3.4 percent increase in the medical care component of the CPI-U, the Minimum Employer Contribution for Calendar Year 2012 is \$112.00. See calculation below.

$(\$108.00 \times 3.4\% = \$3.67 + \$108.00 = \$111.67, \text{ rounded to } \$112.00).$

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**Questions**

If you have any questions about this Circular Letter, please contact CalPERS at **888 CalPERS** (or **888-225-7377**).

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